



Financial Affairs Committee
July 21, 2000

1. Opening Business

The meeting was held in the CVPWA Office Conference Room, 1521 I Street, Sacramento. The meeting began at 9:30 a.m.

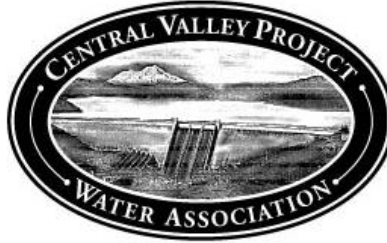
The next Financial Affairs Committee meeting will be held at **9:30 a.m. on August 18 at the Folsom Resources Center. A tour of the Dam and facilities will follow.**

2. Reclamation Reports

--*Update on Water Accounting Program (RAIN).* Jim Bjornsen reported that the Joint Application Development (JAD) team has completed its review of the contractor's (JAVIS) WORKS Replacement Preliminary Design Document. After reviewing the JAD team comments, JAVIS met with the team to respond to the comments. The Bureau then met internally last week with Ron and Tona participating by teleconference to determine how best to proceed with contracting for the development of the water accounting program. During that telcon, Ron & Tona both strongly encouraged Reclamation to consider talking to other potential contractors if not precluded by contracting requirements. Jim said that the Bureau's contracting group advised that it would not be appropriate to initiate contacts with other potential contractors at this point in the process, although this would be pursued again this week. Ron suggested that if JAVIS was selected, the Bureau could possibly fill a staffing need with someone from iAQUA, which has knowledge and experience in water data accumulation and of CVP contracting issues. Jim agreed to pass this information on to others at the Bureau.

--*Update on 1999 Water Contractor Accountings (M&I).* Jim Bjornsen reported that the 1999 M&I water contractor accountings have been completed and that they would be in the mail in the next few days.

--*Update on CVP Cost Allocation.* Jim Bjornsen reported that the Bureau has received comments from the CVPWA and SMUD regarding the evaluation criteria it proposes to employ in selecting the preferred CVP cost allocation alternative. This input will be considered prior to making the final selection. The Bureau will release a draft report in October that will include the preferred alternative. A public meeting will be held in late October to obtain comments on the draft report and preferred alternative. A final report will subsequently be prepared that will address comments received from the public. The preferred



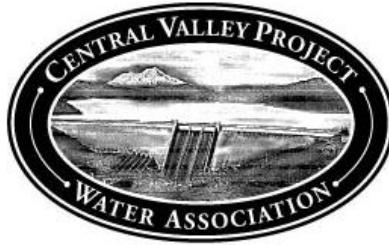
cost allocation methodology will probably be used in the development of the 2003 water rates.

--*Status of Reconciliation of Advance Payment Accounts.* Jim Bjornsen reported that the reconciliation process is going slow. He has three people working on the reconciliation effort, but they are swamped with other pressing work, primarily working on the accounting requirements of the fiscal agent provisions of the direct funding agreements. He also indicated that Ron had inquired if and/or how contractors could help the Bureau in this process. Jim said that there were two things that the contractors could do to help; first, for the approximately 70 reconciliations that the Bureau has done and forwarded to contractors, only about 20 contractors have responded by completing their review and replying to the Bureau; those contractors that have not responded need to do so. Second, and more importantly, Jim said that the 3 reconciliations staff were required, in order to keep Bureau records straight, to spend a significant amount of their time analyzing and resolving recurring accounting/payment/reporting problems associated with the fiscal agent provisions of the direct funding agreements. Ironing out some of these problems was the purpose of a later meeting today with Ron.

--*Computation of 2001 Capital Water Rates.* Jim Bjornsen had nothing new to report. The FAC will be preparing a letter to Reclamation outlining findings associated with an analysis of Reclamation's proposal. Ron stressed to Jim that they wanted to weigh in and talk with the Regional Director before a final decision is made on this.

--*Fall Budget Workshop.* Jim Bjornsen reported that Reclamation budget personnel would be contacting the Authorities to set up Area Office budget workshops for mid to late September. Area Offices are trying to be consistent in their approach and format. Water contractors serviced by each Area Office will be invited.

3. **Direct Funding Agreement.** The FAC was updated relative to the solicitor's opinion and letter from the Bureau regarding provisions of the Transfer Agreements of the three Authorities wherein the fiscal agency provisions were determined to not be in compliance with Treasury regulations. The Bureau's letter stated that the Authority's had three days to turn over the fiscal agency funds to the Bureau. The Authority's have stated that would be impractical, wanted time to review the opinion, asked the Bureau to begin modification discussions and to seek legislation to provide a remedy. Should the fiscal agency provisions fail to be adequately resolved, including the Bureau financial backstop provisions, the Transfer Agreements may be voided, leaving the O&M of the conveyance and conveyance pumping facilities up in the air.
4. **Contract Renewal Update.** The Financial Issues Team will continue to meet with Bureau personnel for technical discussions relative to financial provisions of the long-term contracts.



5. Other Issues

--*Status of Excess Capacity Legislation.* Ron reported that the legislation is still moving forward, although concerns have been raised about various aspects of the proposal from other water contractors outside of California. There is hope that the bill will be introduced this session, but it may slide to next year.

--*Safety of Dams Reauthorization.* Ron noted that the Safety of Dams legislation that is moving through the U.S. Congress contains interest on capital provisions for Irrigation contractors as well as no ability to pay relief for those contractors.

--*2000 Appropriations.* Nothing to report.

6. CVPWA Session

--*2001 Projected O&M Costs.* George Senn presented a comparison of the Bureau's 2001 proposed O&M budget that will be used in the 2001 rate setting process, to the 1998, 1999, and 2000 O&M budgets that were used to set the rates in those years. The Bureau would like to get the committee's comments on the proposed 2001 O&M budget as soon as possible so that they can be considered prior to developing the 2001 rates. It was agreed that the committee members would provide George with any questions that they had and George would combine them with questions he developed into a single set of questions for submission to the Bureau. The FAC has concerns relative to the budget material presented in that it appears that water marketing costs are experiencing continued significant increases as well as movement of costs among activities making it more difficult to track and compare from previous years.